

## FINANCE UPDATE

### REPORT OF THE DIRECTOR OF FINANCE AND CHIEF OFFICER FOR CHILDREN'S SERVICES

#### RECOMMENDATIONS

It is recommended that DEF:

- a) Note month 6 DSG monitoring position as set out in this report.

#### Budget Monitoring Report - Month 6 (2020/21) – Dedicated Schools Grant

##### Executive Summary

- The month 6 outturn forecast for 2021/22 sees a significant overspend in the overall Dedicated Schools Grant (DSG) of £36.0 million which is associated with the continued demand on High Needs and the growing demand on Special Educational Needs (SEN) placements within the Independent Sector despite creating more places within Devon's Special Schools
- The High Needs Block has seen a saving of £371,000, due to savings within independent special school fees following credit notes received and year end adjustments not required.
- The Management Action of £2.7 million reflects the savings expected to be delivered in 2021/22. October 2021 delivery reports provided by project leads will be presented to Schools Forum in November giving an update on the workstreams key activities, risks, and financial impact on deliverable savings. This is projecting a cumulative DSG deficit to March 2022 of £85.0 million
- This could have a considerable impact on future education budgets within the DSG as well as impacting on the financial sustainability for Devon County Council. An urgent action is still required to reduce the demand on Education Health Care Plans (EHCPs) and Independent placements.

#### 1. DSG Deficit Recovery Plan

Table 1: DSG Adjustment Account

	£'000
DSG Adjustment Account	48,998
DSG High Needs 21/22 deficit	38,773
Management Plan Action	(2,750)
<b>Total DSG Deficit Reserve</b>	<b>85,021</b>

- 1.1. The DSG Adjustment Account, which shows the cumulative DSG Deficit as per government guidance, is projected to rise to just over £85.0 million by the end of

2021/22. This is due to the funding pressure identified of £38.8 million (broken down in Table 2) and after management actions of £2.8 million.

- 1.2. A management plan has been developed and submitted to the DfE. An initial high level discussion with the DfE has resulted in a further request and a formal follow up meeting in February 2022.

## 2. Schools

- 2.1. In July 2021 the DfE confirmed the DSG settlement allocation of £291.7 million (after recoupment for academies and the direct funded places). This is based upon pupil numbers as at the October 2020 Schools census and January 2020 Early Years census. The working budget includes other school grants of £24.5 million.
- 2.2. High Needs budget has seen a saving of £371,000 since Month 5 primarily due to savings within independent special school fees following credit notes received and year end adjustments not required.

**Table 2: Summary of Month 6 forecast position and significant variations**

	Net Budget £'000	Net spend Mth 06 £'000	Forecast at Mth 06 £'000	Variance £'000	Movement from Previous Mth £'000
Schools delegated budget	206,320	99,664	206,320	0	0
Academy Grants	2,669	3	2,669	0	0
DSG and School funding	(316,219)	(162,863)	(316,219)	0	0
<b>Total DSG</b>	<b>(107,230)</b>	<b>(63,196)</b>	<b>(107,230)</b>	<b>0</b>	<b>0</b>
De-delegated budgets	5,702	2,145	5,702	0	0
Central School Services Block	4,235	720	4,236	1	1
Early Years & Childcare Services	40,272	20,173	40,272	0	0
<b>Total DSG central budgets</b>	<b>50,209</b>	<b>23,038</b>	<b>50,210</b>	<b>1</b>	<b>1</b>
High Needs Budget	117,542	59,680	122,327	4,785	(371)
DSG High Needs 21/22 deficit budget prep	(33,988)	0	0	33,988	0
Management Plan Actions	0	0	(2,750)	(2,750)	2,714
<b>Total High Needs budget</b>	<b>83,554</b>	<b>59,680</b>	<b>119,577</b>	<b>36,023</b>	<b>2,343</b>
<b>Overall Net DSG budget</b>	<b>26,533</b>	<b>19,522</b>	<b>62,557</b>	<b>36,024</b>	<b>2,344</b>

## 3. High Needs

- 3.1. The total High Needs budget has seen the overall deficit increase by £2.3 million since month 5. However, this is due to £2.7 million management actions being stripped out of 2021/22 as projects have commenced at the start of the academic year and projections reviewed accordingly.
- 3.2. This has been offset in part by the High Needs budget seeing an improvement from month 5 of £371,000 due to savings within independent special school fees following credit notes received and year end adjustments no longer required.

**Table 3 : Summary of High Needs budgets and forecast position as at Month 6**

	Budget £'000	Mth 06 Forecast £'000	Variance £'000	Movement Previous Mth £'000
Alternative Provision	3,307	3,344	37	182
Children in Care and Exclusions	1,470	1,470	0	0
Closing the Gap	1,500	1,500	0	0
Inclusion	334	334	0	0
Nursery Plus	1,164	1,164	0	0
Safeguarding Every Learner	144	144	0	0
SEN Mainstream	19,177	20,048	871	430
FE Colleges	3,032	3,053	21	0
SEN Services	932	932	0	0
SEN 100 Project	1544	1544	0	0
Maintained & Academy Special Schools	36,877	37,211	334	155
Hospital Education Services	406	406	0	0
Recoupment	1,397	1,397	0	0
Other Special School Fees	44,279	47,839	3,560	(1,032)
Support Centre Funding	1,979	1,941	(38)	(106)
<b>Total High Needs Funding</b>	<b>117,542</b>	<b>122,327</b>	<b>4,785</b>	<b>(371)</b>

3.3. Cost and volume variances are shown in Appendix A

#### **Alternative Provision £37,000 underspend**

3.4. Alternative Provision (AP) has seen a worsening of £182,000 since month 5 following AP Medical places forecast for 2020/21 academic year being increased by 7 places and previous forecasts omitting costs of 16 placements for the period April to August 2021. This has been offset in part by a reduction of 5 places within AP placements.

#### **SEN Mainstream £871,000 overspend**

- 3.5. SEN Mainstream covers personalised education package, EHCP and the SLAs which support them.
- 3.6. Mainstream EHCPs (Pre-16) is reporting an overspend of £468,000 due to an increase in Shortfall funding and prior year adjustments totalling £715,000 and offset by the cost and volume EHCPs and Plus Packages forecasting a saving of £247,000.
- 3.7. Home Educated Personalised budget is based on 70 pupils with an average cost of £11,429. The service is forecasting 85 pupils, which includes growth of 11 pupils, at an average cost of £13,204 resulting in a funding pressure of £317,000.
- 3.8. Since month 5 the overspend has increased by £430,000, primarily due to increased numbers of pupils eligible for EHCPs which has a knock-on effect of shortfall funding demand along with an increase in plus packages. In addition, SEN Therapy funding includes an unbudgeted MSI co-ordinator and a reduction in SEN therapy costs for children within school for both actuals and planned growth.

### **FE Colleges £21,000 overspend**

- 3.9. The current forecast is showing a small overspend due to the ESFA making an export adjustment of £78,000 for Devon pupils being educated in other local authorities.
- 3.10. This has been offset in part by savings of £57,000 as the current forecast is showing a slight reduction in both the number of pupils to 707 and in the average cost of £4,318 compared to the budgeted 712 pupils at an average cost of £4,368.

### **Maintained Special Schools £334,000 overspend**

- 3.11. The current placements forecast to March 2022 is 1,547 (vs 1,509 budgeted). The forecast assumes further growth of 18 placements for the autumn term and 16 placements for the spring term. This is resulting in volume/price variance of £454,000.
- 3.12. The remaining pressures relate to enhanced offer payments and reduction in pooling following the academisation of Orchard Manor.
- 3.13. These pressures have been partially offset by additional income for joint funded residential placements and a delay of the budgeted increase of 16 places at Lampard from September 2021 to January 2022 totalling £182,000.

### **Independent Special Schools £3.6millions overspend**

- 3.14. The budget includes £2.2 million Management Action to be achieved in 2021/22, to date £433,000 has been recognised with a further £1.7millions still to be achieved this year.
- 3.15. The savings of £433,000 have been achieved through the planned 3-5 year cessation of 32 placements in July 2021. However a further 13 anticipated to be ceased have now been extended until 2022/23 (some of these are due to the impact of COVID).
- 3.16. The 5% reduction of core costs is still under review and is expected to achieve £1.2millions of the outstanding management actions this year.
- 3.17. The current placements forecast to March 2022 is 1,003 which is 46 above the budgeted number for this year, delivering a pressure to the forecast £2.4millions.
- 3.18. Since month 5 the overspend has reduced by £1 million and is predominantly due to contract savings for the spring and summer term placements of £700,000.

### **Support Centres £38,000 underspend**

- 3.19. Support centres are forecasting a small underspend due to a delay in opening the additional centres from September 2021 to January 2022 and offset in part by additional Element 3, Lump Sum and Exceeded Place funding of £28,000. These centres will offset the more expensive placements within independent special schools.

#### **4. Risks**

- 4.1. The SEN Placement continues to cause increase in the demand on the High Needs Block. Support from schools to take action to mitigate the growing demand and reduce the call on Independent placements is necessary.
- 4.2. Unexpected demand as new high cost children and young people move into the area.
- 4.3. Service unable to contain costs within the allocated budget.
- 4.4. The management action plan identified for 2021/22 slippage due the pandemic and delays in getting the projects underway.
- 4.5. Regional Schools Commissioner delaying or does not approve the resource bases in academies
- 4.6. Mitigation of the above risks can be achieved through support from schools and other providers to take action on the growing demand and reduce the call on independent placements.

#### **5. Recommendation**

- 5.1. That DEF note month 6 DSG monitoring position as set out in the report  
**All to Note**

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## Education &amp; Learning - Education &amp; Health Care Plan (EHCP) Cost &amp; Volume Analysis

High Needs EHCP Analysis	No of FYE Pupils				Budget 21/22 £'000	Forecast outturn £'000	Variation		Budgeted Unit cost £	Forecast Unit cost £	Variation £	Month 6		
	Budgeted 21/22	Month 6	Variation	%			£'000	%				Price Var £'000	Vol Var £'000	Total Var £'000
Mainstream Provision (pre 16)	2,857	2,602	(255)	(9.8%)	9,608	8,794	(814)	(8.5%)	3,363	3,380	17	44	(858)	(814)
Mainstream Provision (pre 16) Plus Packages	524	574	50	8.7%	5,332	5,899	567	10.6%	10,176	10,283	107	61	505	567
<b>Mainstream</b>	<b>3,381</b>	<b>3,175</b>	<b>(206)</b>	<b>(6.5%)</b>	<b>14,940</b>	<b>14,693</b>	<b>(247)</b>	<b>(1.7%)</b>	<b>13,539</b>	<b>13,663</b>	<b>124</b>	<b>106</b>	<b>(353)</b>	<b>(247)</b>
Personalised Packages	70	85	15	17.2%	800	1,117	317	39.6%	11,429	13,204	1,775	150	166	317
Home Tutoring	80	58	(22)	(37.9%)	573	575	2	0.3%	7,163	9,911	2,748	159	(158)	2
<b>Educated Other than at School</b>	<b>150</b>	<b>143</b>	<b>(7)</b>	<b>(5.2%)</b>	<b>1,373</b>	<b>1,691</b>	<b>318</b>	<b>23.2%</b>	<b>18,592</b>	<b>23,115</b>	<b>4,523</b>	<b>309</b>	<b>9</b>	<b>318</b>
Top Ups	1,490	1,496	6	0.4%	17,741	17,820	79	0.4%	11,907	11,909	2	3	75	78
Exceeded Places	0	21	21	100.0%	0	208	208	100.0%	0	10,000	10,000	208	0	208
Plus Packages	19	30	11	35.8%	253	420	167	66.2%	13,316	14,210	895	26	141	167
<b>Maintained &amp; Academy Special Schools</b>	<b>1,509</b>	<b>1,547</b>	<b>38</b>	<b>2.4%</b>	<b>17,994</b>	<b>18,449</b>	<b>455</b>	<b>2.5%</b>	<b>25,223</b>	<b>36,120</b>	<b>10,897</b>	<b>238</b>	<b>216</b>	<b>454</b>
Sole Funded	916	964	48	5.0%	43,548	45,318	1,770	4.1%	46,916	46,835	(81)	(78)	2,264	2,186
Joint Funded	24	26	2	6.2%	2,073	2,303	230	11.1%	98,030	110,989	12,959	331	155	486
Adults	15	12	(4)	(30.4%)	851	639	(212)	(24.9%)	56,733	54,935	(1,798)	(21)	(199)	(219)
Virtual School	2	1	(1)	(60.0%)	20	13	(8)	(37.5%)	10,000	10,000	0	0	(8)	(8)
<b>Independent Special Schools</b>	<b>957</b>	<b>1,003</b>	<b>46</b>	<b>4.5%</b>	<b>46,492</b>	<b>48,273</b>	<b>1,781</b>	<b>(5.9%)</b>	<b>211,679</b>	<b>222,759</b>	<b>11,080</b>	<b>233</b>	<b>2,213</b>	<b>2,445</b>
<b>Further Education</b>	<b>712</b>	<b>707</b>	<b>(5)</b>	<b>(0.7%)</b>	<b>3,110</b>	<b>3,053</b>	<b>(57)</b>	<b>(1.8%)</b>	<b>4,368</b>	<b>4,318</b>	<b>(50)</b>	<b>(35)</b>	<b>(22)</b>	<b>(57)</b>
Top ups	160	135	(25)	(18.5%)	2,069	1,752	(317)	(15.3%)	12,650	13,202	552	75	(316)	(242)
Medical Planned Places	90	90	0	0.0%	1,620	1,620	0	0.0%	18,000	18,000	0	0	0	0
Medical Planned Additional	20	30	10	33.5%	370	677	307	83.1%	18,500	22,533	4,033	121	186	307
<b>Alternative Provision</b>	<b>270</b>	<b>255</b>	<b>(15)</b>	<b>(5.9%)</b>	<b>4,059</b>	<b>4,050</b>	<b>(9)</b>	<b>(0.2%)</b>	<b>49,150</b>	<b>53,735</b>	<b>4,585</b>	<b>196</b>	<b>(130)</b>	<b>66</b>
<b>Reported Forecast Outturn 2021/22</b>	<b>6,979</b>	<b>6,829</b>	<b>(150)</b>	<b>(2.2%)</b>	<b>87,968</b>	<b>90,209</b>	<b>2,241</b>	<b>2.5%</b>						
<b>General Fund - School Transport</b>														
Home to School	12,549	12,461	(88)	(0.7%)	13,878	14,443	565	4%	1,116	1,219	103	1,283	(98)	1,185
Home to College	84	107	23	21.5%	0	218	218		964	2,948	1,984	212	22	234
Personalised Transport	2,107	2,019	(88)	(4.4%)	19,125	20,839	1,714	9%	9,113	10,586	1,473	2,974	(802)	2,172
<b>Home to School Transport</b>	<b>14,740</b>	<b>14,587</b>	<b>(153)</b>	<b>(1.0%)</b>	<b>33,003</b>	<b>35,500</b>	<b>2,497</b>	<b>13%</b>	<b>11,193</b>	<b>14,753</b>	<b>3,560</b>	<b>4,470</b>	<b>(878)</b>	<b>3,592</b>

